

**CITY OF OCEAN CITY**  
**SCHOOL DISTRICT**  
**AUDITOR'S MANAGEMENT REPORT**  
**ON ADMINISTRATIVE FINDINGS**  
**FINANCIAL, COMPLIANCE AND PERFORMANCE**  
**JUNE 30, 2019**



**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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## REPORT OF INDEPENDENT AUDITORS

Honorable President and  
Members of the Board of Education  
City of Ocean City School District  
County of Cape May, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the general purpose financial statements of the Board of Education of the City of Ocean City School District in the County of Cape May for the year ended June 30, 2019, and have issued our report thereon dated November 22, 2019.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information and use of the management of the City of Ocean City Board of Education and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

*Ford, Scott & Associates, L.L.C.*

FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

*Leon P. Costello*

Leon P. Costello, CPA  
Certified Public Accountant  
Licensed Public School Accountant  
No. 767

November 22, 2019

## **ADMINISTRATIVE FINDINGS – FINANCIAL COMPLIANCE AND PERFORMANCE**

### **Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer of School Moneys, the activities of the Board of Education, and the records of the various funds under the auspices of the Board of Education.

### **Administrative Practices and Procedures**

#### Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's CAFR.

#### Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Timothy E. Kelley	Board Secretary/ School Business Administrator	\$300,000

#### Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were different than estimated costs. The board made a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f)3.

### **Financial Planning, Accounting and Reporting**

#### Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

#### Payroll Account and Position Control Roster

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the general fund.

Payrolls were delivered to the secretary to the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

#### Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. No discrepancies were found.

#### Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of

all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with NJAC 6A:23-8.2. As a results of the procedures performed, a transaction error rate of 1.90% was noted and no additional procedures were deemed necessary.

- A. *General Classification Findings*
- B. *Administrative Classification Findings*

#### Board Secretary's Records

The Board Secretary's Records were in satisfactory condition.

Bids received were summarized in the minutes.

Acknowledgement of the Board's receipt of the Board Secretary's and the Treasurer's monthly financial reports were included in the minutes.

Budget appropriations were not greater than realized revenues and Board authorized use of surplus.

No budgetary line accounts were over-expended during the fiscal year and at June 30.

Purchase orders were charged to the appropriate line accounts in accordance with State prescribed Uniform Minimum Chart of Accounts (2R2), for New Jersey Public Schools.

#### Treasurer's Records

The Board Treasurer's Records were in satisfactory condition.

All required reconciliations were performed.

All cash receipts were promptly deposited.

The Treasurers Records were in agreement with the Board Secretary.

#### Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2017-18 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the District complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

#### Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. did not indicate areas of noncompliance and/or questionable costs.

#### Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

The study of compliance for Other Special Federal and State Projects revealed no areas of noncompliance and/or questionable costs.

### **TPAF Reimbursement**

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted with these filings.

### **TPAF Reimbursement to the State for Federal Salary Expenditures**

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grant Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

### **School Purchasing Programs**

#### **Contracts and Agreements Requiring Advertisement for Bids**

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,000 for 2018-2019.

The Board of Education has the responsibility of determining whether the expenditures of any category will exceed the statutory thresholds within the contract year. Where questions arise as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Based on the results of my examination, I did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4, amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

### **School Food Service**

The school food service program was not selected as a major federal and/or state program. However, the program expenditures exceeded \$100,000 in federal and/or state support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA' expenditures of school food revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The Schedule of Revenues, Expenses, and Changes in Fund Net Assets (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.



### **Student Body Activities**

Overall, the records of the various student activity funds were in satisfactory condition.

### **Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low income and bilingual. We also performed a review of the District procedures related to its completion. The information on the A.S.S.A. was compared to the District workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District maintained workpapers on the prescribed state forms or their equivalent. The District has adequate written procedures for the recording of student enrollment data.

### **Facilities and Capital Assets**

Our audit procedures of facilities and capital assets found no exceptions.

### **Testing for Lead of All Drinking Water in Educational Facilities**

The school district adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The school district did submit the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12(g).

### **Follow-up on Prior Year Findings**

In accordance with governmental auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action has been taken on all prior year finds.

### **Acknowledgment**

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

*Ford, Scott & Associates, LLC*  
FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

*Leon P. Costello*  
Leon P. Costello  
Certified Public Accountant  
Licensed Public School Accountant  
No. 767

November 22, 2019

**OCEAN CITY BOARD OF EDUCATION  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018**

	2019-2020 Application for State School Aid				Sample for Verification				Private Schools for Disabled					
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool														
Full Day Preschool														
Half Day Kindergarten														
Full Day Kindergarten														
One	69		-		-		9		-		-		-	
Two	73		-		-		10		-		-		-	
Three	68		-		-		9		-		-		-	
Four	80		-		-		11		-		-		-	
Five	100		-		-		14		-		-		-	
Six	89		-		-		12		-		-		-	
Seven	97		-		-		13		-		-		-	
Eight	92		-		-		12		-		-		-	
Nine	107		-		-		14		-		-		-	
Ten	287		-		-		39		-		-		-	
Eleven	297		-		-		40		-		-		-	
Twelve	279		-		-		38		-		-		-	
Post-Graduate	275		-		-		37		-		-		-	
Adult H.S. (15+CR.)														
Adult H.S. (1-14+CR.)														
Subtotal	1,913	-	-	-	-	-	258	-	-	-	-	-	-	-
Special Ed - Elementary	48		-		-		6		-		-		-	
Special Ed - Middle School	35		-		-		5		-		-		-	
Special Ed - High School	103		2		-		14		-		-		-	
Subtotal	186	2	2		-		25		-		-		-	
Co. Voc. - Regular														
Co. Voc. - FT Post Sec.														
Totals	2,099	2	2,099		-	-	283		-	-	-	-	-	-
Percentage Error			0.00%				0.00%							

**OCEAN CITY BOARD OF EDUCATION  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as LEP Low Income	Workpapers LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool	9		-	4	4	-	6	6	-	5	5	-
Full Day Preschool	25		-	12	12	-	10	10	-	9	9	-
Half Day Kindergarten	18		-	9	9	-	6	6	-	5	5	-
Full Day Kindergarten	21		-	10	10	-	5	5	-	4	4	-
One	26		-	12	12	-	2	2	-	2	2	-
Two	22		-	11	11	-	3	3	-	3	3	-
Three	20		-	10	10	-	-	-	-	-	-	-
Four	10		-	5	5	-	1	1	-	1	1	-
Five	19		-	9	9	-	-	-	-	-	-	-
Six	18		-	9	9	-	-	-	-	-	-	-
Seven	25		-	12	12	-	2	2	-	2	2	-
Eight	19		-	9	9	-	-	-	-	-	-	-
Nine	21		-	10	10	-	-	-	-	-	-	-
Ten			-			-			-			-
Eleven			-			-			-			-
Twelve			-			-			-			-
Post-Graduate			-			-			-			-
Adult H.S. (15+CR)			-			-			-			-
Adult H.S. (1-14+CR)			-			-			-			-
Subtotal	253	253	-	122	122	-	35	35	-	31	31	-
Special Ed - Elementary	25	25	-	12	12	-	4	4	-	3	3	-
Special Ed - Middle School	14	14	-	7	7	-	-	-	-	-	-	-
Special Ed - High School	21.0	21.0	-	10	10	-	-	-	-	-	-	-
Subtotal	60.0	60	-	29	29	-	4	4	-	3	3	-
Co. Voc. - Regular			-			-			-			-
Co. Voc. - FT Post Sec.			-			-			-			-
Totals	313.0	313	-	151	122	29	39	39	-	34	34	-
Percentage Error			0.00%			19.21%			0.00%			0.00%

  

Transportation					
Reported on DOE/County	Reported on DRTS by District	Errors	Tested	Verified	Errors
295	295	-	142	142	-
25	25	-	12	12	-
18	18	-	9	9	-
7	7	-	3	3	-
39	39	-	19	19	-
384	384	-	185	185	-
Totals					
Percentage Error					0.00%

  

	Reported	Recalculated
Reg. - Public Schools, col. 1	3.8	3.8
Reg. - Sp Ed, col. 4	3.8	3.8
Transported - Non-Public, col. 3	4.5	4.5
AIL		
Special Ed Spec, col. 6		
Totals	3.8	3.8
Reg Avg. (Mileage) = Regular Including Grade PK Students (Part A)	3.8	3.8
Reg Avg. (Mileage) = Regular Excluding Grade PK Students (Part A)	3.8	3.8
Spec Avg. = Special Ed with Special Needs (Part B)	4.5	4.5

**OCEAN CITY BOARD OF EDUCATION**  
**SCHEDULE OF AUDITED ENROLLMENTS**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 15, 2018**

	Resident LEP NOT Low Income		Sample for Verification			
	Reported on A.S.A as LEP Not Low Income	Reported on Workpapers LEP Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten	1	1	-	1	1	-
One						
Two						
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine						
Ten						
Eleven						
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14+CR.)						
Subtotal	1	1	-	1	1	-
Special Ed - Elementary						
Special Ed - Middle School						
Special Ed - High School						
Subtotal	-	-	-	-	-	-
Co. Voc. - Regular						
Co. Voc. - FT Post Sec.						
Totals	1	1	-	1	1	-
Percentage Error			0.00%			0.00%

**OCEAN CITY SCHOOL DISTRICT  
EXCESS SURPLUS CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2019**

**REGULAR DISTRICT**

**SECTION 1**

**A. 2% Calculation of Excess Surplus**

2018-19 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 45,387,108.00 (a)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ (b)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ (b)
Decreased By:	
On-Behalf TPAF Pension & Social Security	\$ 5,261,156.00
Assets Acquired Under Capital Leases	_____
Adjusted 2018-19 General Fund Expenditures	\$ 40,125,952.00
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	\$ 802,519.04 (a)
Enter Greater of (A) or \$250,000	\$ 802,519.04
Increased by: Allowable Adjustment*	\$ 206,656.00 (c)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$ 1,009,175.04

**SECTION 2**

Total General Fund - Fund Balances @ 06/30/19 (Per CAFR Budgetary Comparison schedule/statement C-1)	\$ 13,362,752.00
Decreased by:	
Year-end Encumbrances	\$ 95,501.00
Legally Restricted-Designated for Subsequent Year's Expenditures	\$ _____ (d)
Legally Restricted-Excess Surplus - Designated for Subsequent Year's Expenditures ***	\$ 929,587.00 (d)
Other Restricted Fund Balances ***	\$ 10,466,234.00
Assigned Fund Balance-Unreserved Designated for Subsequent Year's Expenditures	\$ _____ (d)
Total Unassigned Fund Balance	\$ 1,871,430.00

**SECTION 3**

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER - 0 -	\$ 862,254.96 (e)
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**Recapitulation of Excess Surplus as of June 30, 2019:**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures ** (Audsum line 90031)	\$ 929,587.00 (f)
Reserved Excess Surplus (Audsum line 90030)	\$ 862,254.96 (g)
Total Excess Surplus	\$ 1,791,841.96

\* This adjustment line (as detailed below) is to be utilized for Impact Aid (when applicable), Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10), and Extraordinary Aid, Additional Nonpublic School Transportation Aid and Unbudgeted TPAF Wage Freeze Grant Funding. (Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion Extraordinary Aid and Additional Nonpublic School Transportation Aid.)

**OCEAN CITY SCHOOL DISTRICT  
EXCESS SURPLUS CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2019**

**Detail of Allowable Adjustment**

Impact Aid	\$ _____
Sale & Lease-back	\$ _____
Extraordinary Aid	\$ 199,406.00
Additional Nonpublic School Transportation Aid	\$ 7,250.00
Total Adjustments [(H)+(I)+(J1) + (J2)]	\$ 206,656.00

\*\* This amount represents the June 30, 2019 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

\*\*\* Amounts must agree to the June 30, 2019 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 90030.

\*\*\*\* Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

**Detail of Other Restricted Fund Balance**

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Capital outlay for a district with a capital outlay cap waiver	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ 4,048,818.00
Maintenance reserve	\$ 2,594,684.00
Emergency reserve	\$ 422,732.00
Waiver offset reserve	\$ _____
Tuition reserve	\$ 3,400,000.00
Other state/government mandated reserve	\$ _____
[Other Restricted Fund Balance not noted above]****	\$ _____
Total Other Restricted Fund Balance	\$ 10,466,234.00

AUDIT RECOMMENDATIONS SUMMARY  
For the Fiscal Year Ended June 30, 2019  
OCEAN CITY BOARD OF EDUCATION

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

No prior year findings.